Direct loans to States from international financial institutions

†4725. SHRI ABHAY KANT PRASAD : Will the Minister of FINANCE AND COMPANY AFFAIRS be pleased to state :

(a) whether Government propose to allow State Governments to receive loan/assistance from international financial institutions directly;

(b) if so, the details thereof;

(c) whether Asian Development Bank has now started the process of giving loans to the States directly; and

(d) if so, Governments's reaction thereto?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE AND COMPANY AFFAIRS (SHRI ANANDRAO VITHOBA ADSUL) : (a) No, Sir. Under the provisions of the Constitution, the executive powers of a State extend to borrowing only within the territory of India. Also, under the VII Schedule of the Constitution, 'Foreign Loans' come under the Union list. Thus, State Governments cannot receive financial assistance from foreign countries/ institutions directly. The external assistance in respect of projects implemented in various States are obtained by the Central Government and passed on to the States as Additional Central Assistance.

(b) Does not arise.

(c) No, Sir. Direct loan to States is not permissible [as explained in reply to (a) above].

(d) Does not arise.

Redemption of UTI schemes

4726. SHRI P. PRABHAKAR REDDY : Will the Minister of FINANCE be pleased to state :

(a) whether the Unit Trust of India has decided to redeem its N.I.P. schemes ahead of their maturity;

(b) if so, the details thereof and the reasons therefor; and

(c) whether the children growth scheme which is scheduled to mature beyond 2015 AD is also included in the list of foreclosures and whether full benefits will be given to the investors in case of early redemption?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE AND COMPANY AFFAIRS (SHRI ANANDRAO VITHOBA ADSUL) : (a) to (c) As per information provided by the Administrator of the Specified Undertaking of Unit Trust of India (*i.e.* UTI-I), since the earning capacity of the investments in some of the Assured Return Schemes (ARSs) is less than the rates of return assured to the investors at the time of launch of the schemes, some ARS including CGGF 86 and CGGF 99, are proposed to be terminated prematurely after following procedure prescribed under SEBI (Mutual Funds) Regulations.

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†Original notice of the question was received in Hindi.